

ARTICLES OF INCORPORATION
OF
THE WILLOWS MASTER PROPERTY OWNERS ASSOCIATION, INC.

In compliance with the requirements of Chapter 55A of General Statutes of North Carolina, the undersigned, all of whom are residents of the State of North Carolina and all of whom are of full age, have this day voluntarily associated themselves together for the purpose of forming a association not for profit and do hereby certify:

ARTICLE I.
NAME

The name of the association is THE WILLOWS MASTER PROPERTY OWNERS ASSOCIATION, INC. (the "Association").

ARTICLE II.
DURATION

The period of duration of the association is perpetual.

ARTICLE III.
PRINCIPAL AND REGISTERED OFFICE

The principal and registered office of the Association is located at 5001-A O'Quinn Boulevard, Southport, NC, 28461. The office is located in Brunswick County, NC.

ARTICLE IV.
REGISTERED AGENT

The name and address of its registered agent is GARY S. LAWRENCE, 5001-H O'Quinn Boulevard, Southport, NC, 28461.

ARTICLE V.
PURPOSE

The purposes for which the Association is formed are to provide for architectural control of the lots and maintenance of the entrance sign and entrance landscaping which defines the subdivision, and maintaining the private streets, private drainage easements, storm drainage facilities and well lot, if any (as defined in the Declaration of Covenants of The Willows Subdivision - the "Declaration", which is incorporated herein) located within that property generally described as **The Willows**, located in Brunswick County, and more specifically, the Property (as defined in the Declaration - the "Property"). The Association is also intended to promote the health, safety, and welfare of the residents within the Property.

The Association does not contemplated pecuniary gain or profit to its members. The Association is organized and shall be governed exclusively as a homeowners association and not for profit. No part of the earnings of this Association or the funds contributed by any person or association shall inure to the benefit of any director, officer, or member of the Association, or any private individual (other than by acquiring,

constructing, or providing management, maintenance, and care of Association property, and other than by a rebate of excess membership dues, fees, or assessments), except that reasonable compensation may be paid for services rendered to or for the Association affecting one or more of its purposes. In the event of the liquidation or dissolution of the Association, either voluntary or involuntary, no director or officer of the Association or any private individual shall be entitled to any distribution or division of its remaining property or its proceeds, and the balance of all money and other property received by the Association from any source, after the payment of all debts and obligations of the association, shall be used or distributed exclusively to an entity or entities whose purposes are substantially similar to those set forth in this Article IV and within the intentment of Section 528 of the Internal Revenue Code of 1986 and the regulations thereunder as the same now exist or as they may be hereafter amended from time to time or to an appropriate public agency to be or used for purposes similar to those stated in this Article IV or to an organization which would then qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code and its regulations as they now exist or as they may hereafter be amended.

ARTICLE VI. POWERS

The Association shall have the following general powers, to be exercised in conformity with applicable laws, the Declaration, the Association By-Laws, and these Articles:

(a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Declaration;

(b) To fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration;

(c) To pay all expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;

(d) Subject to the ordinances of Brunswick County, North Carolina, to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real property in connection with affairs of the Association;

(e) To borrow money, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, the rights of any mortgagee to be subordinate to the rights of the members established under the Declaration;

(f) To participate in mergers and consolidations and with other non-profit associations organized for the same purpose or annex additional residential property; provided that any such merger, consolidation or annexation shall have the assent of two-thirds (2/3) of each class of members and is approved by the County of Brunswick, if required;

(g) Have and to exercise any and all powers, rights, and privileges which a corporation organized under the Non-Profit Association law of the State of North Carolina by law may now or hereafter have or exercise.

Anything to the contrary notwithstanding the Association shall not possess or exercise any power or authority either, by implication, or by operation of law that will prevent it at any time from qualifying as

a "Residential Real Estate Management Association" as defined in Section 528 of the Internal Revenue Code of 1986 as amended and the regulations thereunder, or shall it engage directly or indirectly in any activity which would cause the loss of such qualification or deny it such election under such section of the Internal Revenue Code.

ARTICLE VII. MEMBERSHIP

Every person or entity which is a record owner of a fee or undivided fee interest in any lot, which is subject by covenants of record to assessment by the Association, including Declarant and contract sellers, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any lot which is subject to assessment by the Association. Ownership of such lot shall be the sole qualification for membership.

ARTICLE VIII. VOTING RIGHTS

8.1. The Association shall have three classes of voting memberships:

Class A: Class A members shall be all Owners of single family Lots, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. Declarant may, however, be a Class A member upon termination of Class C membership. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they, among themselves, determine, but in no event shall more than one vote be cast with respect to any Lot. Fractional voting shall be prohibited.

Class B: Class B Members shall be Owners of Lots in the Townhomes at The Willows.

Class C: The Class C member(s) shall be the Declarant (as defined in the Declaration), and shall be entitled to three (3) votes for each Lot owned. The Class C membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier: .

(a) when the total vote outstanding in all Classes of Membership, other than Class C Membership, equals the total vote outstanding in the Class C Membership; or

(b) on December 31, 2020; or

(c) upon the voluntary surrender of all Class C Membership by the holder thereof.

The period during which there is Class C Membership is sometimes referred to herein as the "Declarant Control Period". If the Declarant loses Class C Membership, it shall re-acquire Class C Membership for the Planned Community upon adding Additional Property. During the Declarant Control Period, the Declarant shall have the right to designate and select the Executive Board of the Association and the right to remove any person or persons designated and selected by the Declarant to serve on the Executive Board, and to replace them for the remainder of the term of any person designated and selected by the Declarant to serve on the Executive Board who

may resign, die, or be removed by the Declarant.

8.2. The right of any member to vote may be suspended by the Board of Directors for just cause pursuant to its rules and regulations.

ARTICLE IX.
BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of not less than three (3) or more than seven (7) directors, who need not be members of the Association. The number of directors may be changed as provided in the By-Laws of the Association. The present Board shall consist of three (3) directors, the names and addresses of such persons who are to act in the capacity of directors until the selection of their successors are:

Name	Address
DANIEL HILLA	311-8A Judges Road, Wilmington, NC 28405
WILLIAM BELL	4010 Oleander Drive, Wilmington, NC 28403
PAM LAWRENCE	5001-A O'Quinn Blvd., Southport, NC 28461

Thereafter, the members and size of the Board shall be fixed in the manner prescribed in the By-Laws.

ARTICLE X.
DISSOLUTION

10.1. Subject to the approval of the County of Brunswick Attorney, if required, the Association may be dissolved with the assent given in writing and signed by not less than three-fourths (3/4) of the entire membership. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created, as more specifically provided in Article IV. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any non-profit association, association, trust, or other organization to be devoted to such similar purposes.

ARTICLE XI.
AMENDMENTS

Amendment to these Articles shall require the assent of sixty-six and two-thirds percent (66 2/3%) of the entire membership.

ARTICLE XII.
FHA/VA/FNMA APPROVAL

If Declarant desires to qualify sections of the Property for Federal Housing Administration or

Veterans Administration, but not otherwise, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration, or the Federal National Mortgage Association: annexation of additional properties, mergers and consolidations, mortgaging of Common Areas, dedication of Common Areas, dissolution and amendment of these Articles.

ARTICLE XIII.
MERGERS AND CONSOLIDATIONS

To the extent permitted by law, the Association may participate in mergers and consolidations with other non-profit associations organized for the same or similar purposes, provided that any such merger or consolidation shall have the assent of two-thirds (2/3) of the entire membership. All mergers shall be approved by the County of Brunswick, if required.

Upon merger or consolidation of the Association with another corporation, its property, assets and liabilities, and all rights, duties and obligations established by the Declaration may, by operation of law, be transferred to the surviving or consolidated corporation or in the alternative the property assets and liabilities and all rights, duties and obligations of another corporation may, by operation of law, be transferred to this Association as the surviving corporation pursuant to the merger. The surviving corporation may administer all property brought within its jurisdiction by the merger pursuant to any covenants and restrictions affecting such property.

ARTICLE XIV.
AUTHORITY TO MORTGAGE

Any mortgage by the Association of Association property, if any, defined in the Declaration shall have the assent of members entitled to cast two-thirds (2/3) of the votes of the entire membership.

ARTICLE XV.
AUTHORITY TO DEDICATE OR CONVEY PROPERTY

Subject to the applicable local ordinances, the Association shall have power to dedicate or transfer all or any part of the Association property to any public agency, authority, any other nonprofit association or utility or to any person, association or other private entity for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by members entitled to cast two-thirds (2/3) of the entire membership agreeing to such dedication, sale or transfer.

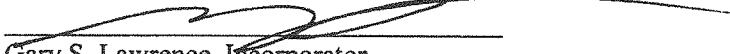
As to lenders and purchasers for value, the certification by the Secretary of the Association that the required number of members have executed instruments in conformity with this Article, shall be conclusive as to the fact recited by such certification and shall be binding upon the Association and all of its members.

ARTICLE XVI.
INCORPORATOR

The incorporator is Gary S. Lawrence, whose address is 5001 O'Quinn Blvd., Suite H., Southport,

NC 28461.

The undersigned incorporator has executed these Articles of Incorporation this 17th day of October, 2006.



Gary S. Lawrence, Incorporator
5001 O'Quinn Blvd., Suite H
Southport, NC 28461